

NEWTON COMMUNITY SCHOOL DISTRICT
NEWTON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-16
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Position	18-19
B Statement of Activities	20-23
Governmental Fund Financial Statements:	
C Balance Sheet	24-25
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	26
E Statement of Revenues, Expenditures and Changes in Fund Balances	27
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28-29
Proprietary Fund Financial Statements:	
G Statement of Fund Net Position	30
H Statement of Revenues, Expenses and Changes in Fund Net Position	31
I Statement of Cash Flows	32-33
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Position	34
K Statement of Changes in Fiduciary Net Position	35
Notes to Financial Statements	36-53
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	56
Notes to Required Supplementary Information – Budgetary Reporting	57
Schedule of the District’s Proportionate Share of the Net Pension Liability	58
Schedule of District Contributions	60-61
Notes to Required Supplementary Information – Pension Liability	62
Schedule of Funding Progress for the Retiree Health Plan	63
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	66
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	67
Capital Projects Accounts:	
3 Combining Balance Sheet	68
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	69
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	70-71
6 Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	72-73
7 Schedule of Expenditures of Federal Awards	74-75

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	76-77
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	78-79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	80-86

NEWTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2015 election)		
Sheri Benson	President	2017
Bill Perrenoud	Vice President	2015
Nat Clark	Board Member	2015
Donna Cook	Board Member	2015
Robyn Friedman	Board Member	2017
Travis Padget	Board Member	2017
Andrew Elbert	Board Member	2017
(After September 2015 election)		
Sheri Benson	President	2017
Travis Padget	Vice President	2017
Robyn Friedman	Board Member	2017
Andrew Elbert	Board Member	2017
Ann Leonard	Board Member	2019
Donna Cook	Board Member	2019
Josh Cantu	Board Member	2019
<u>School Officials</u>		
Bob Callaghan	Superintendent	2019
Gayle Isaac	Director of Business Services District Secretary/Treasurer	2016
Ahlers and Cooney, P.C.	Attorney	2016

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Newton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newton Community School District, Newton Iowa, as of and for the year ended June 30, 2016 and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 56 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the eight years ended June 30, 2014 (which are not presented herein) were audited by other auditors, in accordance with the standards referred to in the third paragraph of this report, who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2017 on our consideration of Newton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Newton Community School District's internal control over financial reporting and compliance.

Hunt & Associates, P.C.

Oskaloosa, Iowa
January 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Newton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$30,507,901 in fiscal year 2015 to \$29,375,074 in fiscal year 2016, while General Fund expenditures increased from \$30,340,991 in fiscal 2015 to \$30,635,600 in fiscal 2016. This was a conscious decision by the Board of Education as an interim measure for additional State funding in 2017.
- The District's General Fund unassigned fund balance decreased from \$2,167,561 at June 30, 2015 to \$1,207,687 at June 30, 2016.
- The District financial management goals include maintaining a solvency ratio between 5% and 10%. As of June 30, 2016, the District had a 4.28% solvency ratio.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Newton Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Newton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Newton Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting a Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the non-major funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Newton Community School District Annual Financial Report

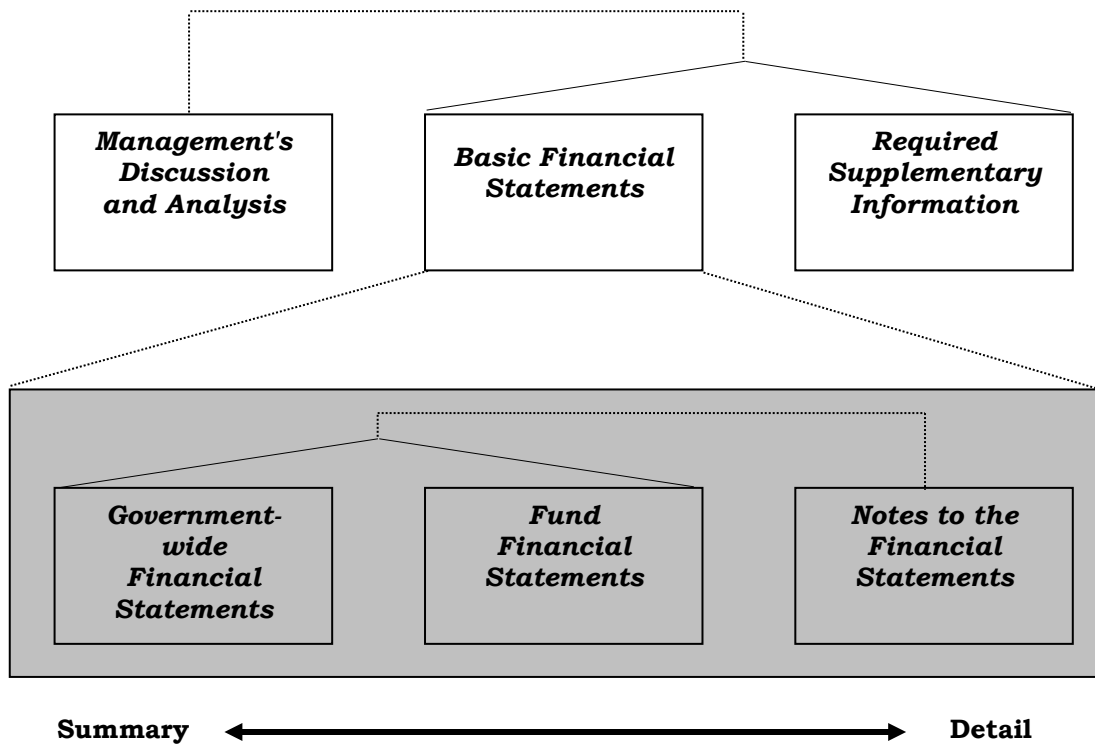


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term: funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for assets that belong to others. The Fiduciary Fund is reported as a Private-Purpose Trust Fund.

Private-Purpose Trust: The District accounts for outside donations for scholarships for individual students in this fund. The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purpose and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the Fiduciary Fund are a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015	2015-16	
Current and other assets	\$ 19,936,963	21,056,391	487,563	518,339	20,424,526	21,574,730	-5.33%	
Capital assets	31,027,906	28,800,480	290,378	257,514	31,318,284	29,057,994	7.78%	
Total assets	50,964,869	49,856,871	777,941	775,853	51,742,810	50,632,724	2.19%	
Deferred outflows of resources	2,342,071	2,377,515	73,524	72,465	2,415,595	2,449,980	-1.40%	
Long-term liabilities	17,789,333	16,609,961	456,716	372,683	18,246,049	16,982,644	7.44%	
Other liabilities	1,052,139	667,269	7,716	940	1,059,855	668,209	58.61%	
Total liabilities	18,841,472	17,277,230	464,432	373,623	19,305,904	17,650,853	9.38%	
Deferred inflows of resources	12,872,372	15,785,801	49,190	140,789	12,921,562	15,926,590	-18.87%	
Net position:								
Net investment in capital assets	28,382,906	24,880,480	290,378	257,514	28,673,284	25,137,994	14.06%	
Restricted	5,584,950	6,541,514	-	-	5,584,950	6,541,514	-14.62%	
Unrestricted	(12,374,760)	(12,250,639)	47,465	76,392	(12,327,295)	(12,174,247)	-1.26%	
Total net position	\$ 21,593,096	19,171,355	337,843	333,906	21,930,939	19,505,261	12.44%	

The District's combined net position increased by 12.44%, or \$2,425,678 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$956,564, or 14.62% from the prior year. The decrease was primarily a result of the District's decrease in restricted fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund and an increase in the carryover balance of categorical funding.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$153,048 or 1.26%.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 869,318	884,077	566,954	548,425	1,436,272	1,432,502	0.26%
Operating grants, contributions and							
restricted interest	4,371,368	4,353,910	1,002,737	982,416	5,374,105	5,336,326	0.71%
General revenues:							
Property tax	11,304,952	10,494,465	-	-	11,304,952	10,494,465	7.72%
Income surtax	749,921	518,187	-	-	749,921	518,187	44.72%
Statewide sales, services and use tax	2,825,405	2,966,000	-	-	2,825,405	2,966,000	-4.74%
Unrestricted state grants	15,318,147	15,617,051	-	-	15,318,147	15,617,051	-1.91%
Unrestricted investment earnings	7,765	4,163	189	50	7,954	4,213	88.80%
Other	143,723	134,839	-	-	143,723	134,839	6.59%
Total revenues	35,590,599	34,972,692	1,569,880	1,530,891	37,160,479	36,503,583	1.80%
Program expenses:							
Instruction	20,916,334	20,038,808	-	-	20,916,334	20,038,808	4.38%
Support services	9,892,092	10,119,391	42,581	50,244	9,934,673	10,169,635	-2.31%
Non-instructional programs	4,729	5,679	1,523,362	1,516,630	1,528,091	1,522,309	0.38%
Other expenses	2,355,703	2,421,264	-	-	2,355,703	2,421,264	-2.71%
Total expenses	33,168,858	32,585,142	1,565,943	1,566,874	34,734,801	34,152,016	1.71%
	2,421,741	2,387,550	3,937	(35,983)	2,425,678	2,351,567	3.15%
Net position beginning of year	19,171,355	16,783,805	333,906	369,889	19,505,261	17,153,694	13.71%
Net position end of year	\$ 21,593,096	19,171,355	337,843	333,906	21,930,939	19,505,261	12.44%

In fiscal 2016, property tax and unrestricted state grants account for 74.80% of the revenue from governmental activities while charges for service and operating grants and contributions account for essentially 100.00% of the revenue from business type activities.

The District's total revenues were approximately \$37.2 million, of which approximately \$35.6 million was for governmental activities and approximately \$1.57 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.80% increase in revenues and a 1.71% increase in expenses. The increase in revenues is primarily due to an increase in property tax revenue received in FY16. The increase in expenses is partly attributable to results of bargaining settlements from the previous year.

Governmental Activities

Revenues for governmental activities were \$35,590,599 and expenses were \$33,168,858.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015- 16	2016	2015	Change 2015- 16
Instruction	\$ 20,916,334	20,038,808	4.38%	16,926,368	16,047,405	5.48%
Support Services	9,892,092	10,119,391	-2.25%	9,830,841	10,062,570	-2.30%
Non-instructional	4,729	5,679	- 16.73%	4,729	5,679	- 16.73%
Other expenses	2,355,703	2,421,264	-2.71%	1,166,234	1,231,501	-5.30%
Totals	\$ 33,168,858	32,585,142	1.79%	27,928,172	27,347,155	2.12%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$869,318.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,371,368.
- The net cost of governmental activities was financed with \$11,304,952 in local property tax, \$749,921 in income surtax, \$2,825,405 in statewide sales, services and use tax, \$15,318,147 in unrestricted state grants, \$7,765 in interest income, and \$143,723 in other revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2016 were \$1,569,880 representing an increase of 2.50% from the prior year, while expenses totaled \$1,565,943, a \$931 decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues for this activity were comprised of charges for service, federal and state reimbursements and unrestricted investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Newton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,813,806, below last year's ending fund balances of \$8,727,613. The primary reasons for this decrease in fund balances is the decrease in the fund balance of the Capital Projects Fund as well as the General Fund. *(See Exhibit E)*

Governmental Fund Highlights

- The District's General Fund net position decreased from \$3,096,315 at June 30, 2015 to \$1,835,789 at June 30, 2016. This decrease is a product of many factors. Revenues decreased in fiscal year 2016, primarily due to a decrease in local taxes assessed. Expenses increased in fiscal year 2016 primarily due to an increase in instruction expenditures. The conscious decision was made to not reduce staff for one year and then hire the staff back in 2017 when the District would receive an additional \$900,000 State grant. It was felt that the fund balance could absorb this increase in expenses for one year. *(See Exhibit E)*
- The Debt Service Fund balance decreased from \$135,316 at June 30, 2015 to a small deficit balance of \$2,950 at June 30, 2016. The deficit was the result of a delayed corrective transfer from the Capital Projects Fund.
- The Capital Projects Fund balance decreased from a balance of \$4,228,743 at June 30, 2015 to \$3,601,345 at June 30, 2016. The Capital Projects: Statewide Sales, Service and Use Tax Account balance decreased from \$3,322,486 at June 30, 2015 to \$2,293,038 at June 30, 2016 while the Capital Projects: Physical Plant and Equipment Levy Account balance increased from \$906,257 at June 30, 2015 to \$1,308,307 at June 30, 2016. The decrease was due to an increase in capital outlay expenditures during the year. *(See Exhibit C and Schedule 4)*

Proprietary Fund Highlights

The Proprietary Fund net position increased from \$333,906 at June 30, 2015 to \$337,843 at June 30, 2016, representing an increase of 1.18%. This increase was due primarily to the increase of revenue to the food service operations during fiscal 2016. *(See Exhibit G)*

BUDGETARY HIGHLIGHTS

Over the course of the year, Newton Community School District amended its annual budget one time to reflect additional expenditures in the instruction, support services, non-instructional programs, and other expenditures functional areas.

The District's revenues were \$264,808 less than budgeted revenues, a variance of 0.71%. One of the most significant variances resulted from the District receiving less in federal source revenues than originally anticipated.

Total overall expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested approximately \$31.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 7.78% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$1,711,261.

The original cost of the District's capital assets was approximately \$67.35 million. Governmental funds account for approximately \$66.44 million, with the remainder of approximately \$0.91 million in the Proprietary, School Nutrition Fund.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 787,495	787,495	-	-	787,495	787,495	0.00%
Furniture and Equipment	1,294,016	1,595,211	290,378	257,514	1,584,394	1,852,725	-14.48%
Construction in Progress	2,966,478	-	-	-	2,966,478	-	100.00%
Buildings	23,891,518	24,651,059	-	-	23,891,518	24,651,059	-3.08%
Land improvements	2,088,399	1,766,715	-	-	2,088,399	1,766,715	18.21%
Total	\$ 31,027,906	28,800,480	290,378	257,514	31,318,284	29,057,994	7.78%

Long-Term Debt

At June 30, 2016, the District had \$18,246,049 in general obligation and other long-term debt outstanding. This represents an increase of 7.44% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Notes 5, 6 and 7 to the financial statements.

- The District had outstanding general obligation bonds of \$2,645,000 at June 30, 2016, payable from the Debt Service Fund.
- The District had outstanding compensated absences of \$205,098 at June 30, 2016. Governmental activities accounted for this total which is payable from the General Fund.
- The District had total outstanding net OPEB liability of \$951,197 at June 30, 2016. \$934,136 of this total is attributed to governmental activities while business type activities account for the remaining \$17,061.
- GASB 68 accounted for the majority of the long term debt this year. The District recorded net pension liability of \$14,444,754 at June 30, 2016. \$14,005,099 of this total is attributed to governmental activities while business type activities account for the remaining \$439,655.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
General obligation bonds	\$ 2,645,000	3,920,000	-	-	2,645,000	3,920,000	-32.53%
Compensated absences	205,098	204,508	-	-	205,098	204,508	0.29%
Net pension liability	14,005,099	11,667,602	439,655	355,622	14,444,754	12,023,224	20.14%
Net OPEB liability	934,136	817,851	17,061	17,061	951,197	834,912	13.93%
Total	\$ 17,789,333	16,609,961	456,716	372,683	18,246,049	16,982,644	7.44%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District will be forming a separate Budget Committee which will consist of administration, district staff, parents, and community business leaders. This committee will delve deeper into the budget development and report to the School Board.
- Continuance of the School Improvement Advisory Committee to evaluate the District's Budget, Staffing, and Facility usage.
- The District's student enrollment increased by 9.1 students, which will increase future District funding. This supports a demographic study which predicts the District will have slow but steady growth for the next 5 years.
- The community approved a bond referendum with a 65.9% approval, which is amazing on the first vote for a \$26.9 Million referendum which will be used to build a new middle school.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gayle Isaac, Director of Business Services, Newton Community School District, 1302 1st Avenue West, Newton, Iowa, 50208.

Basic Financial Statements

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 6,675,207	\$ 418,824	\$ 7,094,031
Receivables:			
Property tax:			
Current year	126,806	-	126,806
Succeeding year	11,305,427	-	11,305,427
Income surtax	770,328	-	770,328
Accounts	84,996	37,210	122,206
Due from other governments	890,199	-	890,199
Inventories	10,089	31,529	41,618
Prepaid expenses	73,911	-	73,911
Capital assets, net of accumulated depreciation (note 3)	31,027,906	290,378	31,318,284
Total assets	50,964,869	777,941	51,742,810
Deferred Outflows of Resources			
Pension related deferred outflows	2,342,071	73,524	2,415,595
Liabilities			
Accounts payable	926,607	-	926,607
Salaries and benefits payable	120,795	3,716	124,511
Advances from grantors	-	4,000	4,000
Accrued interest payable	4,737	-	4,737
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	1,300,000	-	1,300,000
Compensated absences	205,098	-	205,098
Portion due after one year:			
Bonds payable	1,345,000	-	1,345,000
Net pension liability	14,005,099	439,655	14,444,754
Net OPEB liability	934,136	17,061	951,197
Total liabilities	18,841,472	464,432	19,305,904

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Total
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 11,305,427	\$ -	\$ 11,305,427
Pension related deferred inflows	1,566,945	49,190	1,616,135
Total deferred inflows of resources	12,872,372	49,190	12,921,562
Net Position			
Net investment in capital assets	28,382,906	290,378	28,673,284
Restricted for:			
Categorical funding	603,983	-	603,983
Capital projects	2,293,038	-	2,293,038
Physical plant and equipment levy purposes	1,308,307	-	1,308,307
Management levy purposes	966,906	-	966,906
Student activities	412,716	-	412,716
Unrestricted	(12,374,760)	47,465	(12,327,295)
Total net position	\$ 21,593,096	\$ 337,843	\$ 21,930,939

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction			
Regular	\$ 12,910,379	\$ 251,989	\$ 2,243,482
Special	4,382,771	26,635	860,744
Other	3,623,184	540,060	67,056
	<u>20,916,334</u>	<u>818,684</u>	<u>3,171,282</u>
Support services:			
Student	1,184,115	-	-
Instructional staff	1,513,817	49	-
Administration	3,141,442	-	-
Operation and maintenance of plant	2,869,002	26,200	-
Transportation	1,183,716	24,385	10,617
	<u>9,892,092</u>	<u>50,634</u>	<u>10,617</u>
Non-instructional programs	<u>4,729</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	107,687	-	-
Long-term debt interest and fiscal charges	99,299	-	-
AEA flowthrough	1,189,469	-	1,189,469
Depreciation (unallocated) *	959,248	-	-
	<u>2,355,703</u>	<u>-</u>	<u>1,189,469</u>
Total governmental activities	<u>33,168,858</u>	<u>869,318</u>	<u>4,371,368</u>

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (10,414,908)	\$ -	\$ (10,414,908)
(3,495,392)	-	(3,495,392)
(3,016,068)	-	(3,016,068)
(16,926,368)	-	(16,926,368)
(1,184,115)	-	(1,184,115)
(1,513,768)	-	(1,513,768)
(3,141,442)	-	(3,141,442)
(2,842,802)	-	(2,842,802)
(1,148,714)	-	(1,148,714)
(9,830,841)	-	(9,830,841)
(4,729)	-	(4,729)
(107,687)	-	(107,687)
(99,299)	-	(99,299)
-	-	-
(959,248)	-	(959,248)
(1,166,234)	-	(1,166,234)
(27,928,172)	-	(27,928,172)

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants, Operating Grants and Contributions</u>
Business-Type Activities:			
Support services:			
Food service operations	\$ 42,581	\$ -	\$ -
Non-instructional programs:			
Food service operations	1,523,362	566,954	1,002,737
Total business-type activities	1,565,943	566,954	1,002,737
Total	\$ 34,734,801	\$ 1,436,272	\$ 5,374,105

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (42,581)	\$ (42,581)
-	46,329	46,329
-	3,748	3,748
(27,928,172)	3,748	(27,924,424)
9,257,281	-	9,257,281
1,239,699	-	1,239,699
807,972	-	807,972
749,921	-	749,921
2,825,405	-	2,825,405
15,318,147	-	15,318,147
7,765	189	7,954
143,723	-	143,723
30,349,913	189	30,350,102
2,421,741	3,937	2,425,678
19,171,355	333,906	19,505,261
\$ 21,593,096	\$ 337,843	\$ 21,930,939

NEWTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,780,740	\$ -	\$ 3,528,415	\$ 1,382,929	\$ 6,692,084
Receivables:					
Property tax:					
Current year	98,732	13,927	8,962	5,185	126,806
Succeeding year	8,309,419	2,007,844	513,161	475,003	11,305,427
Income surtax	770,328	-	-	-	770,328
Accounts	84,996	-	-	-	84,996
Due from other governments	286,460	-	603,739	-	890,199
Inventories	10,089	-	-	-	10,089
Prepaid expenses	14,030	-	59,881	-	73,911
Total assets	<u>\$ 11,354,794</u>	<u>\$ 2,021,771</u>	<u>\$ 4,714,158</u>	<u>\$ 1,863,117</u>	<u>\$ 19,953,840</u>

NEWTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Warrants written in excess of bank balance	\$ -	\$ 16,877	\$ -	\$ -	\$ 16,877
Accounts payable	318,463	-	599,652	8,492	926,607
Salaries and benefits payable	120,795	-	-	-	120,795
Total liabilities	439,258	16,877	599,652	8,492	1,064,279
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	8,309,419	2,007,844	513,161	475,003	11,305,427
Other	770,328	-	-	-	770,328
Total deferred inflows of resources	9,079,747	2,007,844	513,161	475,003	12,075,755
Fund balances:					
Nonspendable:					
Inventories	10,089	-	-	-	10,089
Prepaid expenses	14,030	-	59,881	-	73,911
Restricted for:					
Categorical funding (note 10)	603,983	-	-	-	603,983
School infrastructure	-	-	2,293,038	-	2,293,038
Physical plant and equipment	-	-	1,248,426	-	1,248,426
Management levy purposes	-	-	-	966,906	966,906
Student activities	-	-	-	412,716	412,716
Unassigned	1,207,687	(2,950)	-	-	1,204,737
Total fund balances	1,835,789	(2,950)	3,601,345	1,379,622	6,813,806
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,354,794	\$ 2,021,771	\$ 4,714,158	\$ 1,863,117	\$ 19,953,840

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances of governmental funds	\$ 6,813,806
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	31,027,906
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	770,328
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(4,737)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	\$ 2,342,071
Deferred inflows of resources	<u>(1,566,945)</u>
	775,126
Long-term liabilities, including bonds payable, net pension liability, net OPEB liability and compensated absences are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(17,789,333)</u>
Net position of governmental activities	<u>\$ 21,593,096</u>
See notes to financial statements.	

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 9,045,468	\$ 1,207,111	\$ 783,690	\$ 449,433	\$ 11,485,702
Tuition	180,051	-	-	-	180,051
Other	306,485	46	26,968	586,989	920,488
Intermediate sources	565	-	-	-	565
State sources	18,841,000	32,588	2,849,687	12,133	21,735,408
Federal sources	1,001,505	-	-	-	1,001,505
Total revenues	<u>29,375,074</u>	<u>1,239,745</u>	<u>3,660,345</u>	<u>1,048,555</u>	<u>35,323,719</u>
Expenditures:					
Current:					
Instruction	<u>20,024,937</u>	<u>-</u>	<u>338,033</u>	<u>617,301</u>	<u>20,980,271</u>
Support services:					
Student	1,191,778	-	-	14,118	1,205,896
Instructional staff	1,466,271	-	126,516	4,068	1,596,855
Administration	3,186,330	-	22,988	17,962	3,227,280
Operation and maintenance of plant	2,602,270	-	311,555	190,582	3,104,407
Transportation	974,545	-	-	87,412	1,061,957
	<u>9,421,194</u>	<u>-</u>	<u>461,059</u>	<u>314,142</u>	<u>10,196,395</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,729</u>	<u>4,729</u>
Other expenditures:					
Facilities acquisition	-	-	3,488,651	-	3,488,651
Long term debt:					
Principal	-	1,275,000	-	-	1,275,000
Interest and fiscal charges	-	103,011	-	-	103,011
AEA flowthrough	1,189,469	-	-	-	1,189,469
	<u>1,189,469</u>	<u>1,378,011</u>	<u>3,488,651</u>	<u>-</u>	<u>6,056,131</u>
Total expenditures	<u>30,635,600</u>	<u>1,378,011</u>	<u>4,287,743</u>	<u>936,172</u>	<u>37,237,526</u>
Excess (deficiency) of revenues over (under) expenditures	(1,260,526)	(138,266)	(627,398)	112,383	(1,913,807)
Fund balances beginning of year	<u>3,096,315</u>	<u>135,316</u>	<u>4,228,743</u>	<u>1,267,239</u>	<u>8,727,613</u>
Fund balances end of year	<u>\$ 1,835,789</u>	<u>\$ (2,950)</u>	<u>\$ 3,601,345</u>	<u>\$ 1,379,622</u>	<u>\$ 6,813,806</u>

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Change in fund balances - total governmental funds	\$ (1,913,807)
--	----------------

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 3,898,773	
Depreciation expense	<u>(1,671,347)</u>	2,227,426

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.	266,880
--	---------

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.	1,275,000
--	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	3,712
---	-------

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.	9,084
--	-------

NEWTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

Compensated absences	\$	(590)	
Pension expense		670,321	
Net OPEB liability		<u>(116,285)</u>	\$ <u>553,446</u>
Change in net position of governmental activities			\$ <u><u>2,421,741</u></u>

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUND

June 30, 2016

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 418,824
Accounts receivable	37,210
Inventories	31,529
Capital assets, net of accumulated depreciation (note 3)	<u>290,378</u>
Total assets	<u>777,941</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>73,524</u>
Liabilities	
Salaries and benefits payable	3,716
Advances from grantors	4,000
Net pension liability	439,655
Net OPEB liability	<u>17,061</u>
Total liabilities	<u>464,432</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>49,190</u>
Fund Net Position	
Net investment in capital assets	290,378
Unrestricted	<u>47,465</u>
Total fund net position	<u>\$ 337,843</u>

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 Year Ended June 30, 2016

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>566,954</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	
Salaries	19,556
Benefits	12,327
Purchased services	<u>10,698</u>
	<u>42,581</u>
Non-instructional programs:	
Food service operations:	
Salaries	581,443
Benefits	161,279
Supplies	740,726
Depreciation	<u>39,914</u>
Total operating expenses	<u>1,523,362</u>
	<u>1,565,943</u>
Operating loss	(998,989)
Non-operating revenues:	
Interest on investments	189
State sources	12,493
Federal sources	<u>990,244</u>
Total non-operating revenues	<u>1,002,926</u>
Change in fund net position	3,937
Fund net position beginning of year	<u>333,906</u>
Fund net position end of year	\$ <u><u>337,843</u></u>
See notes to financial statements.	

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2016

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 555,711
Cash received from miscellaneous operating activities	9,924
Cash paid to employees for services	(779,514)
Cash paid to suppliers for goods or services	<u>(635,180)</u>
Net cash used by operating activities	<u>(849,059)</u>
Cash flows from non-capital financing activities:	
State grants received	12,493
Federal grants received	<u>891,319</u>
Net cash provided by non-capital financing activities	<u>903,812</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(72,778)</u>
Cash flows from investing activities:	
Interest on investments	<u>189</u>
Net decrease in cash and cash equivalents	(17,836)
Cash and cash equivalents beginning of year	<u>436,660</u>
Cash and cash equivalents end of year	<u>\$ 418,824</u>

NEWTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2016

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (998,989)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	39,914
Commodities used	112,690
(Increase) in accounts receivable	(1,319)
Decrease in inventories	4,494
(Decrease) in accounts payable	(940)
Increase in salaries and benefits payable	3,716
Increase in net pension liability	84,033
(Increase) in deferred outflows of resources	(1,059)
(Decrease) in deferred inflows of resources	<u>(91,599)</u>
Net cash used by operating activities	<u>\$ (849,059)</u>

Non-cash financing activities:

During the year ended June 30, 2016, the District received \$112,690 of federal commodities.

See notes to financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2016

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>3,240</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>3,240</u></u>
See notes to financial statements.	

NEWTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2016

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>1,490</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,500</u>
Change in fiduciary net position	(10)
Fiduciary net position beginning of year	<u>3,250</u>
Fiduciary net position end of year	\$ <u><u>3,240</u></u>
See notes to financial statements.	

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies

Newton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Newton and Kellogg, Iowa, and agricultural territory in Jasper County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Newton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Newton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances, in that order.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Intangibles	2-10 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year have been accrued as liabilities.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and other unamortized items not yet charged against pension expense.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>3,929,394</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAm by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 787,495	\$ -	\$ -	\$ 787,495
Construction in progress	-	2,966,478	-	2,966,478
Total capital assets not being depreciated	<u>787,495</u>	<u>2,966,478</u>	<u>-</u>	<u>3,753,973</u>
Capital assets being depreciated:				
Buildings	42,088,002	2,085	-	42,090,087
Improvements other than buildings	4,881,755	519,306	-	5,401,061
Furniture and equipment	14,979,275	410,904	190,802	15,199,377
Total capital assets being depreciated	<u>61,949,032</u>	<u>932,295</u>	<u>190,802</u>	<u>62,690,525</u>
Less accumulated depreciation for:				
Buildings	17,436,943	761,626	-	18,198,569
Improvements other than buildings	3,115,040	197,622	-	3,312,662
Furniture and equipment	13,384,064	712,099	190,802	13,905,361
Total accumulated depreciation	<u>33,936,047</u>	<u>1,671,347</u>	<u>190,802</u>	<u>35,416,592</u>
Total capital assets being depreciated, net	<u>28,012,985</u>	<u>(739,052)</u>	<u>-</u>	<u>27,273,933</u>
Governmental activities capital assets, net	<u>\$ 28,800,480</u>	<u>\$ 2,227,426</u>	<u>\$ -</u>	<u>\$ 31,027,906</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 834,550	\$ 72,778	\$ 1,462	\$ 905,866
Less accumulated depreciation	<u>577,036</u>	<u>39,914</u>	<u>1,462</u>	<u>615,488</u>
Business-type activities capital assets, net	<u>\$ 257,514</u>	<u>\$ 32,864</u>	<u>\$ -</u>	<u>\$ 290,378</u>

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 3. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 476,558
Other	47,943

Support services:

Operation and maintenance of plant	24,835
Transportation	<u>162,763</u>
	712,099

Unallocated depreciation	<u>959,248</u>
--------------------------	----------------

Total depreciation expense - governmental activities	<u>\$ 1,671,347</u>
--	---------------------

Business-type activities:

Food service operations	<u>\$ 39,914</u>
-------------------------	------------------

Note 4. Short-term Financing

During the year ended June 30, 2016, the District's Capital Projects Fund made a \$40,000 temporary loan for cash flow purposes to the Debt Service Fund which was repaid prior to year end. No interest rate was set and charged to the Debt Services Fund due to low market interest rates and the short time the money was on loan (30 days).

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,920,000	\$ -	\$ 1,275,000	\$ 2,645,000	\$ 1,300,000
Net pension liability	11,667,602	2,337,497	-	14,005,099	-
Net OPEB liability	817,851	116,285	-	934,136	-
Compensated absences	204,508	205,098	204,508	205,098	205,098
Total	<u>\$ 16,609,961</u>	<u>\$ 2,658,880</u>	<u>\$ 1,479,508</u>	<u>\$ 17,789,333</u>	<u>\$ 1,505,098</u>
Business-type activities:					
Net pension liability	\$ 355,622	\$ 84,033	\$ -	\$ 439,655	\$ -
Net OPEB liability	17,061	-	-	17,061	-
Total	<u>\$ 372,683</u>	<u>\$ 84,033</u>	<u>\$ -</u>	<u>\$ 456,716</u>	<u>\$ -</u>

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated March 4, 2008			Bond Issue Dated April 13, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2017	3.10 %	\$ 725,000	\$ 46,635	\$ 0.75 %	\$ 575,000	\$ 10,212
2018	3.20	755,000	24,160	1.00	590,000	5,900
		<u>\$ 1,480,000</u>	<u>\$ 70,795</u>		<u>\$ 1,165,000</u>	<u>\$ 16,112</u>

Year Ending June 30,	Total	
	Principal	Interest
2017	\$ 1,300,000	\$ 56,847
2018	1,345,000	30,060
	<u>\$ 2,645,000</u>	<u>\$ 86,907</u>

Note 6. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder.

Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered pay and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$1,799,653.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$14,444,754 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.292375 percent, which was a decrease of 0.010790 from its proportion measured as of June 30, 2014.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$1,111,635. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 218,242	\$ -
Changes of assumptions	397,700	-
Net difference between projected and actual earnings on pension plan investments	-	1,202,182
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	413,953
District contributions subsequent to the measurement date	<u>1,799,653</u>	<u>-</u>
Total	\$ <u>2,415,595</u>	\$ <u>1,616,135</u>

\$1,799,653 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (508,045)
2018	(508,045)
2019	(508,045)
2020	533,690
2021	<u>(9,748)</u>
Total	\$ <u>(1,000,193)</u>

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24%	6.29
International Equity	16%	6.75
Private Equity/Debt	11%	11.32
Real Estate	8%	3.48
Credit Opportunities	5%	3.63
U.S. TIPS	5%	1.91
Other Real Assets	2%	6.24
Cash	1%	(0.71)
Total	100%	

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 25,290,165	\$ 14,444,754	\$ 5,290,449

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 286 active and 22 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	213,986
Interest on net OPEB obligation		20,873
Adjustment to annual required contribution		75,642
Annual OPEB cost		<u>159,217</u>
Contributions made		<u>42,932</u>
Increase in net OPEB obligation		116,285
Net OPEB obligation beginning of year		<u>834,912</u>
Net OPEB obligation end of year	\$	<u><u>951,197</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$42,932 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 186,139	22.5%	\$ 716,777
2015	169,104	30.1%	834,912
2016	159,217	27.0%	951,197

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1,266,519, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,266,519. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$17,550,026, and the ratio of the UAAL to covered payroll was 7.2%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study and applying the termination factors used in the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$361 per month. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,189,469 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2016 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 65,919
Gifted and talented programs	96,011
Returning dropouts and dropout prevention programs	19,335
Four year old preschool state aid	74,340
Teacher salary supplement	117,408
Successful progression for early readers	56,486
Professional development for model core curriculum	76,231
Professional development	17,985
Market factor incentives	18,297
Textbook aid for non-public students	531
At-risk programs	54,443
Teacher leadership grants	6,997
Total	<u>\$ 603,983</u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$3,213,466 for a new administrative building and various other improvement projects. As of June 30, 2016, costs of \$2,620,124 had been incurred against the contracts. The balance of \$593,342 remaining at June 30, 2016 will be paid as work on the project progresses.

Note 12. Contingency

The District is involved in an ongoing lawsuit alleging violation of the Individuals with Disabilities Education Act by not providing the involved child with a free, appropriate public education. The outcome of this litigation cannot be determined at this time and the District's insurance carrier is affording coverage.

Note 13. Subsequent Event

On September 13, 2016, the voters of the District approved the future issuance of \$26,900,000 in general obligation bonds for the construction of a new middle school building.

On November 28, 2016, the District issued \$10,000,000 of those general obligation bonds. The bonds have an interest rate of 3.0% and are payable through the year ended June 30, 2032.

This page intentionally left blank

Required Supplementary Information

NEWTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2016

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 12,586,241	\$ 567,143	\$ 13,153,384	\$ 13,653,879	\$ 13,653,879	\$ (500,495)
Intermediate sources	565	-	565	-	-	565
State sources	21,735,408	12,493	21,747,901	21,158,514	21,158,514	589,387
Federal sources	1,001,505	990,244	1,991,749	2,346,014	2,346,014	(354,265)
Total revenues	35,323,719	1,569,880	36,893,599	37,158,407	37,158,407	(264,808)
EXPENDITURES/EXPENSES:						
Instruction	20,980,271	-	20,980,271	21,257,000	22,257,000	1,276,729
Support services	10,196,395	42,581	10,238,976	10,750,216	11,750,216	1,511,240
Non-instructional programs	4,729	1,523,362	1,528,091	1,622,665	1,922,665	394,574
Other expenditures	6,056,131	-	6,056,131	5,327,081	7,331,256	1,275,125
Total expenditures/expenses	37,237,526	1,565,943	38,803,469	38,956,962	43,261,137	4,457,668
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,913,807)	3,937	(1,909,870)	(1,798,555)	(6,102,730)	4,192,860
Balance beginning of year	8,727,613	333,906	9,061,519	8,467,741	-	9,061,519
Balance end of year	\$ <u>6,813,806</u>	\$ <u>337,843</u>	\$ <u>7,151,649</u>	\$ <u>6,669,186</u>	\$ <u>(6,102,730)</u>	\$ <u>13,254,379</u>

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$4,304,175.

During the year ended June 30, 2016, expenditures/expenses did not exceed the amounts budgeted.

NEWTON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.292375	0.303165
District's proportionate share of the net pension liability	\$ 14,445	\$ 12,023
District's covered-employee payroll	\$ 20,030	\$ 19,841
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.12%	60.60%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

This page intentionally left blank

NEWTON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System Last Ten Fiscal Years (In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 1,800	\$ 1,789	\$ 1,772	\$ 1,690
Contributions in relation to the statutorily required contribution	<u>(1,800)</u>	<u>(1,789)</u>	<u>(1,772)</u>	<u>(1,690)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 20,153	\$ 20,030	\$ 19,841	\$ 19,487
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,494	\$ 1,281	\$ 1,239	\$ 1,180	\$ 1,075	\$ 1,002
<u>(1,494)</u>	<u>(1,281)</u>	<u>(1,239)</u>	<u>(1,180)</u>	<u>(1,075)</u>	<u>(1,002)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 18,519	\$ 18,428	\$ 18,625	\$ 18,585	\$ 17,773	\$ 17,426
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

NEWTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year Ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

NEWTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2016

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2010	\$ -	\$ 1,310	\$ 1,310	0.0%	\$ 18,759	7.0%
2012	July 1, 2010	-	1,310	1,310	0.0%	18,519	7.1%
2013	July 1, 2012	-	1,406	1,406	0.0%	16,223	8.7%
2014	July 1, 2012	-	1,371	1,371	0.0%	16,857	8.1%
2015	July 1, 2014	-	1,336	1,336	0.0%	17,431	7.7%
2016	July 1, 2014	-	1,267	1,267	0.0%	17,550	7.2%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

This page intentionally left blank

Supplementary Information

NEWTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Assets			
Cash and pooled investments	\$ 961,721	\$ 421,208	\$ 1,382,929
Receivables:			
Property tax:			
Current year	5,185	-	5,185
Succeeding year	475,003	-	475,003
Total assets	\$ 1,441,909	\$ 421,208	\$ 1,863,117
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	-	8,492	8,492
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	475,003	-	475,003
Fund balances:			
Restricted for:			
Management levy purposes	966,906	-	966,906
Student activities	-	412,716	412,716
Total fund balances	966,906	412,716	1,379,622
Total liabilities, deferred inflows of resources and fund balances	\$ 1,441,909	\$ 421,208	\$ 1,863,117

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2016

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 449,433	\$ -	\$ 449,433
Other	60,388	526,601	586,989
State sources	12,133	-	12,133
Total revenues	<u>521,954</u>	<u>526,601</u>	<u>1,048,555</u>
Expenditures:			
Current:			
Instruction	117,555	499,746	617,301
Support services:			
Student	14,118	-	14,118
Instructional staff	4,068	-	4,068
Administration	16,185	1,777	17,962
Operation and maintenance of plant	190,282	300	190,582
Transportation	62,138	25,274	87,412
Non-instructional programs	4,729	-	4,729
Total expenditures	<u>409,075</u>	<u>527,097</u>	<u>936,172</u>
Excess (deficiency) of revenues over (under) expenditures	112,879	(496)	112,383
Fund balances beginning of year	<u>854,027</u>	<u>413,212</u>	<u>1,267,239</u>
Fund balances end of year	<u>\$ 966,906</u>	<u>\$ 412,716</u>	<u>\$ 1,379,622</u>

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2016

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,286,733	\$ 1,241,682	\$ 3,528,415
Receivables:			
Property tax:			
Current year	-	8,962	8,962
Succeeding year	-	513,161	513,161
Due from other governments	603,739	-	603,739
Prepaid expenses	-	59,881	59,881
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>2,890,472</u>	\$ <u>1,823,686</u>	\$ <u>4,714,158</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ <u>597,434</u>	\$ <u>2,218</u>	\$ <u>599,652</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u> -</u>	<u> 513,161</u>	<u> 513,161</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	-	59,881	59,881
Restricted for:			
School infrastructure	2,293,038	-	2,293,038
Physical plant and equipment	<u> -</u>	<u> 1,248,426</u>	<u> 1,248,426</u>
Total fund balances	<u>2,293,038</u>	<u>1,308,307</u>	<u>3,601,345</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>2,890,472</u>	\$ <u>1,823,686</u>	\$ <u>4,714,158</u>

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
Year Ended June 30, 2016

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 783,690	\$ 783,690
Other	19,936	7,032	26,968
State sources	2,825,405	24,282	2,849,687
Total revenues	<u>2,845,341</u>	<u>815,004</u>	<u>3,660,345</u>
Expenditures:			
Current:			
Instruction	295,175	42,858	338,033
Support services:			
Instructional staff	24,709	101,807	126,516
Administration	250	22,738	22,988
Operation and maintenance of plant	113,549	198,006	311,555
Other expenditures:			
Facilities acquisition	3,441,106	47,545	3,488,651
Total expenditures	<u>3,874,789</u>	<u>412,954</u>	<u>4,287,743</u>
Excess (deficiency) of revenues over (under) expenditures	(1,029,448)	402,050	(627,398)
Fund balances beginning of year	<u>3,322,486</u>	<u>906,257</u>	<u>4,228,743</u>
Fund balances end of year	<u>\$ 2,293,038</u>	<u>\$ 1,308,307</u>	<u>\$ 3,601,345</u>

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Aurora Heights Elementary	\$ 1,881	\$ 1	\$ 228	\$ 1,654
Berg Elementary	1,867	1	-	1,868
Emerson Hough Elementary	598	-	-	598
Woodrow Wilson Elementary	1,066	-	28	1,038
Thomas Jefferson Elementary	9,573	785	843	9,515
Berg Middle School:				
Band	871	4,111	1,112	3,870
Orchestra	714	-	-	714
Athletics	2,255	70	215	2,110
Yearbook	1,156	5,318	5,157	1,317
Other Clubs	24,259	5,757	11,932	18,084
Basics and Beyond	312	-	-	312
Interest	-	15	-	15
Newton High School:				
Band	1,712	4,469	6,181	-
Colorguard	977	350	1,250	77
Athletics	235,277	322,303	340,777	216,803
FFS	49,478	69,704	61,639	57,543
Newtonia Yearbook	4,169	26,740	13,037	17,872
Home School	5	-	-	5
Miscellaneous	1,524	46	-	1,570
Drama	5,240	5,719	3,854	7,105
Speech	870	816	675	1,011
Vocal	-	5,195	5,195	-
Art Club	9,427	-	-	9,427
Concessions	4,169	33,632	33,650	4,151
DECA	383	17,179	14,164	3,398
Community Service Club Day	5,026	736	210	5,552
Hero	411	487	(85)	983
Newspaper	-	1,365	1,365	-
Office Ed/BPA	47	-	-	47
Peer Help	19	-	-	19
Office Ed/BPA	7,087	52	-	7,139
Student Activity	5,488	163	-	5,651
Student Council	4,276	7,654	8,305	3,625
IT Club	530	630	240	920
Thespian	203	-	-	203
Special Olympics Club	1,482	1,501	1,636	1,347
Jazz Choir	6	-	-	6

NEWTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
International Club	\$ 101	\$ -	\$ -	101
Key Club	662	2,369	2,449	582
Biology Club	250	-	250	-
Princess & Papa	27,343	8,658	11,890	24,111
Gay/Straight Alliance	61	631	617	75
Clothing Closet	2,437	144	283	2,298
Total	\$ <u>413,212</u>	\$ <u>526,601</u>	\$ <u>527,097</u>	\$ <u>412,716</u>

See accompanying independent auditor's report.

NEWTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2016	2015	2014	2013
Revenues:				
Local sources:				
Local tax	\$ 11,485,702	\$ 10,949,670	\$ 10,979,150	\$ 14,095,860
Tuition	180,051	227,024	318,013	334,221
Other	920,488	845,095	858,707	923,067
Intermediate sources	565	969	-	6,600
State sources	21,735,408	21,898,965	21,142,652	17,718,218
Federal sources	1,001,505	994,299	1,090,656	1,337,988
Total revenues	<u>\$ 35,323,719</u>	<u>\$ 34,916,022</u>	<u>\$ 34,389,178</u>	<u>\$ 34,415,954</u>
Expenditures:				
Instruction				
Regular instruction	\$ 12,870,477	\$ 12,380,860	\$ 12,570,250	\$ 13,002,013
Special instruction	4,463,390	4,635,172	4,868,331	5,127,631
Other instruction	3,646,404	3,384,892	3,305,074	3,094,009
Support services:				
Student	1,205,896	1,209,626	1,203,097	1,117,402
Instructional staff	1,596,855	1,517,051	1,295,450	1,788,079
Administration	3,227,280	3,329,081	3,392,671	3,168,410
Operation and maintenance of plant	3,104,407	3,048,058	3,139,808	3,010,371
Transportation	1,061,957	1,245,390	1,260,483	1,232,293
Non-instructional programs	4,729	5,679	20,661	5,946
Other expenditures:				
Facilities acquisition	3,488,651	808,928	568,977	1,303,792
Long-term debt:				
Principal	1,275,000	2,945,000	1,175,000	1,120,000
Interest and fiscal charges	103,011	181,813	214,123	250,120
AEA flowthrough	1,189,469	1,189,763	1,154,066	1,114,015
Total expenditures	<u>\$ 37,237,526</u>	<u>\$ 35,881,313</u>	<u>\$ 34,167,991</u>	<u>\$ 35,334,081</u>

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 13,647,788	\$ 13,359,537	\$ 12,252,922	\$ 11,719,479	\$ 11,851,436	\$ 12,410,072
294,731	300,666	328,426	308,713	358,973	407,365
807,538	955,050	863,053	1,033,755	1,385,806	1,446,704
386	9,614	24,903	2,780	3,026	37,042
18,068,512	17,552,804	15,616,711	18,319,956	17,244,967	16,453,692
1,324,763	1,526,272	2,740,885	1,058,659	645,206	687,711
<u>\$ 34,143,718</u>	<u>\$ 33,703,943</u>	<u>\$ 31,826,900</u>	<u>\$ 32,443,342</u>	<u>\$ 31,489,414</u>	<u>\$ 31,442,586</u>
\$ 12,567,086	\$ 12,484,315	\$ 12,892,745	\$ 13,642,927	\$ 12,346,172	\$ 11,900,595
4,729,865	4,556,376	4,330,367	4,159,947	4,156,274	4,180,153
2,455,941	2,604,633	2,841,332	1,820,753	2,518,259	2,423,583
973,929	876,392	1,001,661	958,135	873,075	1,054,028
1,048,286	1,168,633	983,643	1,004,424	1,030,576	1,021,096
2,842,988	2,723,391	2,932,858	2,844,321	2,791,821	2,803,015
2,680,331	2,436,582	2,485,694	2,737,257	2,491,188	2,441,837
1,192,399	1,116,360	1,070,877	923,833	1,084,928	1,008,545
6,300	6,406	6,279	5,739	6,294	8,912
334,182	148,879	158,007	1,914,869	1,542,778	1,052,457
4,015,000	1,940,000	1,870,000	1,745,000	1,655,000	1,620,000
373,146	429,730	486,568	582,902	742,917	790,155
1,116,069	1,245,501	1,235,280	1,149,159	1,087,516	1,044,205
<u>\$ 34,335,522</u>	<u>\$ 31,737,198</u>	<u>\$ 32,295,311</u>	<u>\$ 33,489,266</u>	<u>\$ 32,326,798</u>	<u>\$ 31,348,581</u>

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	4725-16	\$ 179,701
National School Lunch Program	10.555	4725-16	796,325 *
Special Milk Program for Children	10.556	4725-16	2,948
Summer Food Service Program for Children	10.559	4725-16	23,661
			<u>1,002,635</u>
Healthier U.S. School Challenge:			
Smarter Lunchrooms	10.543	4725-16	<u>480</u>
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts - Partnership Agreements	45.025	FY16	<u>500</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	4725-G	523,974
Title I Grants to Local Educational Agencies	84.010	4725-SINA	17,230
			<u>541,204</u>
Special Education - Grants to States	84.027	4725-16	<u>140 **</u>
Career and Technical Education - Basic Grants to States	84.048	4725-16	<u>47,034</u>
Supporting Effective Instruction State Grant	84.367	4725-16	<u>88,452</u>
Grants for State Assessments and Related Activities	84.369	4725-16	<u>11,352</u>
Heartland Area Education Agency:			
Special Education - Grants to States	84.027	4725-16	<u>149,346 **</u>
Total			\$ <u><u>1,841,143</u></u>

* = Includes \$112,690 of non-cash awards.

** = Total for CFDA 84.027 = \$149,486

NEWTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Newton Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Newton Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Newton Community School District.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Newton Community School District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Newton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton Community School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newton Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Newton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-16 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-16 and II-C-16 to be significant deficiencies.

Compliance

As part of obtaining reasonable assurance about whether Newton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Newton Community School District's Responses to the Findings

Newton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Newton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Newton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hunt & Associates, P.C.

Oskaloosa, Iowa
January 6, 2017

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education of
Newton Community School District:

Report on Compliance for Each Major Federal Program

We have audited Newton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Newton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Newton Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Newton Community School District's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Newton Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Newton Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

In planning and performing our audit of compliance, we considered Newton Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Newton Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hunt & Associates, P.C.

Oskaloosa, Iowa
January 6, 2017

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on all opinion units.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were reported.
- (c) The audit did not report any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were reported.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515
- (g) Major programs were as follows:
 - Child Nutrition Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Newton Community School District did not qualify as a low-risk auditee.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-16 Financial Reporting – During the audit, we identified material amounts of payables, prepaid expenses, and accrued employee benefits not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables, prepaid expenses, and accrued employee benefits are identified and included in the District’s financial statements in the proper amounts so that the financial statements are free of material misstatements.

Response – We will double check these in the future to avoid missing any applicable transactions.

Conclusion – Response accepted.

- II-B-16 Deficit Meal Account Balances – We noted in our testing of unearned revenues that many student meal accounts had deficit balances at year end. The deficit balances in individual meal accounts exceeded the positive balances by \$37,100 at year end. We noted one individual family’s deficit amount exceeded \$3,000. These student meal deficit balances mean that the District is subsidizing these families by providing free meal benefits to families that may not actually qualify for such benefits.

Recommendation – The District should pursue alternatives to collection of the deficit balances to protect the assets of the meal program and to insure proper use of the public funds entrusted to the District. These alternatives could include better communication with the families involved, alternatives to a full meal when a student has a deficit balance, and use of an outside collection agency to contact the families and collect the debt.

Response – We have started using an outside collection agency to pursue these deficit account balances but have had only limited success. We will discuss our alternatives and decide on the proper action to take to collect these funds owed to the District.

Conclusion – Response accepted.

- II-C-16 Untimely Deposits – In our testing of the Special Revenue, Student Activity Fund we noted ten gate receipts for December and January for basketball and wrestling that were not deposited until April 8, 2016. We also noted that several Activity Fund receipts in June were not deposited until July 11, 2016. These occurrences are the result of a lack of control over the Activity Fund receipting process.

Recommendation – The District should develop, institute and enforce controls over Student Activity Fund receipts. All sponsors should be educated in the importance of proper receipting functions. These would include a detailed record of all monies received and the purpose, dual counting of funds involved, daily depositing and recording of receipts, and independent verification of amounts deposited and recorded. Money should never be left in a sponsor’s desk drawer or kept by the sponsor between time of receipt and time of deposit. These procedures would protect the underlying assets and improve financial reporting.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

II-C-16 Response – We will investigate these situations. We will develop the necessary controls and educate all employees as to the importance of good control processes.

Conclusion – Response accepted.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-16 Certified Budget – Expenditures/expenses for the year ended June 30, 2016, did not exceed the amounts budgeted.
- IV-B-16 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-16 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-16 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-16 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-16 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-16 Certified Enrollment – We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The certified number was overstated by 4.0 students for the fall of 2015.
- Recommendation – The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter.
- Response – This was an oversight in the student count on our part. We will contact the proper authorities to resolve this matter.
- Conclusion – Response accepted.
- IV-H-16 Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for the fall of 2015 was overstated by .41 due to lack of proper math accreditation.
- Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Iowa Department of Management.
- Conclusion – Response accepted.
- IV-I-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-J-16 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely. However, we noted significant deficiencies in the amounts reported.

Recommendation – The District should ensure the accuracy of amounts certified to the Department of Education by reviewing the applicable accrual accounts prior to final submission. An independent person should review these accounts for accuracy and suggest any necessary changes.

Response – We will insure the accuracy of amounts certified to the Department of Education in the future.

Conclusion – Response accepted.

- IV-K-16 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

- IV-L-16 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	3,322,486
Revenues:			
Interest	\$	2,636	
Other local revenues		17,300	
Statewide sales, services and use tax		<u>2,825,405</u>	2,845,341
Expenditures/transfers out:			
School infrastructure construction		3,545,039	
Equipment		<u>329,750</u>	<u>3,874,789</u>
Ending balance		\$	<u><u>2,293,038</u></u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

NEWTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-M-16 Financial Condition – At June 30, 2016, the governmental activities had a deficit unrestricted net position of \$12,374,760. This deficit balance was caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, which requires the inclusion of the District’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources in the District’s financial statements. In addition, the Debt Service Fund had a deficit unassigned fund balance of \$2,950 due to cash flow timing differences.

Recommendation – Even though the governmental activities deficit arose due to the net pension liability, deferred outflows of resources, and deferred inflows of resources, the District should investigate ways to return the governmental activities to a sound financial condition. The District should investigate ways to return the Debt Service Fund to a sound financial condition.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District’s proportionate share of the IPERS liability and the related deferred outflows of resources and deferred inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities to a sound financial condition. For the Debt Service Fund, we made a corrective transfer from the Capital Projects Fund of \$16,923 in August 2016.

Conclusion – Response accepted.